



# An Audit of the Tenth Court of Appeals District

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# Executive Summary

## Purpose and Scope

Objectives of the Tenth Court of Appeals District (Court) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning Dec. 1, 2016, through Nov. 30, 2017.

## Background

The Tenth Court of Appeals hears approximately 400 criminal and civil appeals annually from lower courts in 18 Texas counties. The Court is composed of a Chief Justice and two Justices, and serves the Waco, Texas area.

**Tenth Court of Appeals website**

[www.txcourts.gov/10thcoa/about-the-court/history/](http://www.txcourts.gov/10thcoa/about-the-court/history/)

## Audit Results

The Court generally complied with the General Appropriations Act (GAA), other relevant statutes, and Comptroller requirements. Auditors found no issues with payroll transactions, travel transactions, or purchase transactions. However, the Court should consider making improvements to the Court's internal control structure.

The auditors reissued one finding from the last audit conducted at the Court related to internal control structure. Auditors originally issued this finding in November 2012.

An overview of audit results is presented in the following table.

# Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase Transactions	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Transactions	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Auditors identified one employee with multiple incompatible duties.	Control Weakness Issues Exist
Security	Were Court employees who are no longer employed, or whose security was revoked, properly communicated to the Comptroller's office?	No issues	Fully Compliant



Repeat Finding

## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Court must limit user access to either enter/change vendors or adjust vendor payment instruction in the Texas Identification Number System (TINS).
- The Court must limit the access of users who can approve vouchers (being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.
- The Court must limit the access of users who can process and release payroll in the Uniform Statewide Accounting System (USAS) to view-only access in TINS (PTINS02). An individual must not be able to change employee payment instructions, and process and release payroll.
- The Court must ensure that employees who can process a payment through USAS or approve an expedite do not have the ability to change the warrant hold status of a vendor in TINS.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative transaction sample from the agency's 16 employees (60 payroll transactions totaling \$218,790.29) to ensure that the Court complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in payroll transactions.

## Purchase Transactions

Auditors developed a representative sample of 25 purchase transactions (totaling \$19,671.34) to ensure that the Court complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in purchase transactions.

## Travel Transactions

Auditors reviewed all 77 travel transactions processed during the audit period (totaling \$9,319.31) to ensure that the Court complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in travel transactions.

## Internal Control Structure

### Control Weakness over Expenditure Processing

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Court placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls that the Court might have relating to USAS, Standardized Payroll/Personnel Reporting System (SPRS), Centralized Accounting and Payroll/Personnel System (CAPPS) or TINS security or internal transaction approvals.

The Court had one employee who could:

- Create/edit a vendor profile and/or edit vendor or employee direct deposit information in TINS and approve paper vouchers.
- Create/edit a vendor in TINS and edit/update vendor direct deposit information in TINS.
- Create/edit a vendor profile and vendor direct deposit information in TINS and enter/edit a voucher in USAS.
- Edit direct deposit information for employees in TINS and process/edit payroll in USAS.
- Change the warrant hold status in TINS, enter or edit payments in USAS, and approve paper vouchers.



The Court explained that due to its accounting staffing limitations it had some overlapping responsibility in its transaction approval process. However, based on the recommendation in the 2012 post-payment audit, the Court stated that it would take actions to remedy the issue. However, the actions taken were not sufficient to resolve the issue.

We ran a report to see whether any of the Court's payment documents were processed through USAS during the audit because of the action of only one person; no issues were identified.

## Recommendation/Requirement

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To reduce risks to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to process transactions without another person's involvement.

The Court must implement the following recommendations:

1. The Court must limit the access of users who can approve vouchers (being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.
2. The Court must limit the access of users who can process and release payroll in USAS to view-only access in TINS (PTINS02). An individual must not be able to change employee payment instructions, and process and release payroll.
3. The Court must ensure that employees who can process a payment through USAS or approve an expedite do not have the ability to change the warrant hold status of a vendor in TINS.

## Court Response

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*Remove the employee in question from the voucher signature card.*

## Comptroller Response

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The Court sent a formal request to remove the employee from the voucher signature cards via email on Dec. 21, 2018. The request was processed by the Comptroller's office and the employee was removed from the voucher signature cards as of Dec. 21, 2018.

## Security

The audit included a security review to identify any of the Court's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. There were no terminations or revocations during the audit period to assess.



# Appendices

## Appendix 1 — Objectives, Scope, Methodology, Authority and Team

### Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and either:
  - The Uniform Statewide Payroll/Personnel System (USPS),
  - The Standardized Payroll/Personnel Report System (SPRS),
  - The Human Resource Information System (HRIS), or
  - The Centralized Accounting and Payroll/Personnel System (CAPPs).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

### Audit Scope

We audited a sample of the Tenth Court of Appeals (Court) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Dec. 1, 2016, through Nov. 30, 2017, to determine compliance with applicable state laws.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

The Court received appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Court should implement the recommendations listed in the Detailed Findings of this report. It is the Court's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Court's documents comply in the future. The Court must ensure that the findings discussed in this report are resolved.



## **Audit Methodology**

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

## **Fieldwork**

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcations or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

## **Audit Authority**

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## **Audit Team**

*Derik Montique, MBA, CFE, CGFM*

*Melissa Hernandez, CTCM, CTPM*



## Appendix 2 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Non-compliant

### Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented.  These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Non-compliant

### Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	